

law in effect on the date the bond or other security is required to be filed, and the former law is continued in effect for that purpose.

(e) This Act prevails over any conflicting or inconsistent provision of H.B. No. 1317, 77th Legislature, Regular Session, 2001, if that bill is enacted and becomes law.

(f) As soon as practicable on or after the effective date of this Act, the governor, lieutenant governor, and speaker of the house of representatives shall appoint members to the Oil-Field Cleanup Fund Advisory Committee as provided by Section 91.1135, Natural Resources Code, as added by this Act.

(g) Subchapter L, Chapter 113, Natural Resources Code, as added by this Act, applies beginning with the 2002-2003 school year, and each school district that uses liquefied petroleum gas shall perform pressure tests as required by that subchapter.

(h) Section 102.006, Utilities Code, as added by this Act, and Section 2003.0491, Government Code, as added by this Act, apply only to a contested case filed at the Railroad Commission of Texas on or after the effective date of this Act. A contested case filed at the commission before that date is governed by the law in effect at the time the case is filed, and the former law is continued in effect for that purpose.

Passed the Senate on April 17, 2001, by a viva-voce vote; May 18, 2001, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 21, 2001, House granted request of the Senate; May 27, 2001, Senate adopted Conference Committee Report by a viva-voce vote; passed the House, with amendments, on May 16, 2001, by a non-record vote; May 21, 2001, House granted request of the Senate for appointment of Conference Committee; May 27, 2001, House adopted Conference Committee Report by the following vote: Yeas 145, Nays 0, one present not voting.

Approved June 15, 2001.

Effective September 1, 2001, except as provided in §§ 10, 11, 18, 20, 22, 24, 27, and 29.

CHAPTER 1234

S.B. No. 312

AN ACT

relating to the review and functions of the Texas Water Development Board and the improvement of certain water delivery infrastructure.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. The legislature finds that:

(1) economically distressed subdivisions commonly called colonias are found throughout those counties located within 50 miles of the international border of this state;

(2) a substantial number of homes in the economically distressed subdivisions lack an adequate potable water supply and sewer services, creating a serious and unacceptable health hazard from contagious and other serious illnesses and posing a clear and substantial threat not only to the environment of the border region but also to the environment of the entire state;

(3) although significant improvement has been made by this state and the political subdivisions of the border area in addressing the public health hazard created in those economically distressed subdivisions, many of those economically distressed subdivisions are located in isolated rural areas far from water or wastewater providers or are otherwise situated so as to make the provision of water or wastewater services by political subdivisions to those areas difficult or impossible using conventional capital improvement strategies;

(4) the lack of an adequate potable water supply and wastewater services, coupled with the location of those subdivisions, erodes the economic stability of the counties that contain those subdivisions and that depend on a healthy and safe environment for the residents of the subdivisions and counties;

(5) the economic stability of those counties is necessary for the mutual development of trade, transportation, and commerce in the border region and affects not only the border region, but all regions of the state involved in those reciprocal economic activities;

(6) alternative capital improvement mechanisms are necessary to ensure that the maximum number of economically distressed subdivisions obtain adequate water or wastewater services to eliminate public health problems and encourage the development and diversification of the economy in those counties and the entire state;

(7) nonprofit organizations have succeeded in planning, platting, engineering, designing, and constructing water and wastewater projects to serve those inaccessible, economically distressed subdivisions using assistance from the residents immediately benefiting from the water or wastewater services, thus creating an alternative capital improvement mechanism with a proven record of success that deserves state support;

(8) many residents of colonias are motivated to improve their situation and have worked with nonprofit organizations on self-help projects to build their own infrastructure, ultimately saving on the total cost of water and wastewater projects; and

(9) creating a program to provide public funds to those nonprofit organizations for self-help projects will assist in the reduction of the public health problems created by the lack of adequate water and wastewater services and will encourage the development and diversification of the economy of the counties in which those subdivisions are located as well as throughout the entire state.

SECTION 2. Section 6.013, Water Code, is amended to read as follows:

Sec. 6.013. SUNSET PROVISION. The Texas Water Development Board is subject to review under Chapter 325, Government Code (Texas Sunset Act), but is not abolished under that chapter. The board shall be reviewed during the period in which state agencies abolished in 2013 [2004] and every 12th year after 2013 [2004] are reviewed.

SECTION 3. Subsection (c), Section 6.052, Water Code, is amended to read as follows:

(c) Appointments to the board shall be made without regard to the race, color, *disability* [handicap], sex, religion, age, or national origin of the appointees.

SECTION 4. Sections 6.054, 6.057, and 6.058, Water Code, are amended to read as follows:

Sec. 6.054. REMOVAL OF BOARD MEMBERS. (a) It is a ground for removal from the board *that* [if] a member:

(1) does not have at the time of *taking office* [appointment] the qualifications required for appointment to the board;

(2) does not maintain during [the] service on the board the qualifications required for appointment to the board;

(3) *is ineligible for membership under* [violates a prohibition established by] Sections 6.053, 6.057, and 6.058 [of this code];

(4) *cannot, because of illness or disability, [is unable to] discharge the member's [his] duties for a substantial part [portion] of the member's term [for which he was appointed because of illness or disability];* or

(5) is absent from more than *half* [one-half] of the regularly scheduled board meetings that the member is eligible to attend during a [each] calendar year *without an excuse approved* [, except when the absence is excused] by a majority vote of the board.

(b) The validity of an action of the board is not affected by the fact that it *is* [was] taken when a ground for removal of a *board member exists* [of the board existed].

(c) If the executive administrator ~~[a board member]~~ has knowledge that a potential ground for removal exists, the executive administrator ~~[he]~~ shall notify the chairman of the board of the potential ~~[that]~~ ground. The chairman of the board shall then notify the governor and the attorney general that a potential ground for removal exists. If the potential ground for removal includes the chairman of the board, the executive administrator shall notify the next highest ranking officer of the board, who shall then notify the governor and the attorney general that a potential ground for removal exists.

Sec. 6.057. CONFLICT OF INTEREST. (a) In this section, "Texas trade association" means a cooperative and voluntarily joined association of business or professional competitors in this state designed to assist its members and its industry or profession in dealing with mutual business or professional problems and in promoting their common interest.

(b) A person may not be a member of the board and may not be a board employee employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.), and its subsequent amendments, if:

(1) the person is an officer, employee, or paid consultant of a Texas trade association in the field of water planning or water financing; or

(2) the person's spouse is an officer, employee, or paid consultant of a Texas trade association in the field of water planning or water financing. ~~[An officer, employee, or paid consultant of a trade association in an industry regulated by the board may not be a member or employee of the board, nor may a person who cohabits with or is the spouse of an officer, managerial employee, or paid consultant of a trade association in an industry regulated by the board be a member of the board or an employee of the board grade 17 or over, including exempt employees, according to the position classification schedule under the General Appropriations Act.]~~

Sec. 6.058. LOBBYIST PROHIBITION. A person may not be a member of the board or act as the general counsel to the board if the person ~~[who]~~ is required to register as a lobbyist under Chapter 305, Government Code, because of the person's ~~[by virtue of his]~~ activities for compensation ~~[in or]~~ on behalf of a profession related to the operation of the board ~~[may not serve as a member of the board or act as the general counsel to the board]~~.

SECTION 5. Section 6.060, Water Code, is amended by adding Subsection (d) to read as follows:

(d) The board shall meet annually with the board of the Texas Department of Housing and Community Affairs, or the successor agency that administers the portion of the federal community development block grant nonentitlement program that addresses the infrastructure needs of colonias, to assess the agencies' progress in meeting the needs of colonia residents and to receive an update and recommendations from the Colonia Initiatives Advisory Committee, as provided by Section 2306.590, Government Code. For purposes of this subsection, "colonia" has the meaning assigned by Section 2306.581, Government Code.

SECTION 6. Subchapter C, Chapter 6, Water Code, is amended by adding Section 6.062 to read as follows:

Sec. 6.062. REQUIRED TRAINING FOR BOARD MEMBERS. (a) A person who is appointed to and qualifies for office as a member of the board may not vote, deliberate, or be counted as a member in attendance at a meeting of the board until the person completes a training program that complies with this section.

(b) The training program must provide the person with information regarding:

- (1) the legislation that created the board;
- (2) the programs operated by the board;
- (3) the role and functions of the board;
- (4) the rules of the board, with an emphasis on the rules that relate to disciplinary and investigatory authority;

- (5) the current budget for the board;
 - (6) the results of the most recent formal audit of the board;
 - (7) the requirements of:
 - (A) the open meetings law, Chapter 551, Government Code;
 - (B) the public information law, Chapter 552, Government Code;
 - (C) the administrative procedure law, Chapter 2001, Government Code; and
 - (D) other laws relating to public officials, including conflict of interest laws; and
 - (8) any applicable ethics policies adopted by the board or the Texas Ethics Commission.
- (c) A person appointed to the board is entitled to reimbursement, as provided by the General Appropriations Act, for the travel expenses incurred in attending the training program regardless of whether the attendance at the program occurs before or after the person qualifies for office.

SECTION 7. Section 6.106, Water Code, is amended to read as follows:

Sec. 6.106. STANDARDS OF CONDUCT. The executive administrator or the executive administrator's designee ~~[board]~~ shall provide to ~~[its]~~ members of the board and to agency ~~appointees, and~~ employees, as often as is necessary, information regarding the requirements for office or employment ~~[their qualifications]~~ under this code, including information regarding a person's ~~[and their]~~ responsibilities under applicable laws relating to standards of conduct for state officers or ~~[and]~~ employees.

SECTION 8. Subchapter D, Chapter 6, Water Code, is amended by adding Sections 6.110 and 6.111 to read as follows:

Sec. 6.110. CAPITAL SPENDING PLAN. (a) Each biennium, the executive administrator shall develop and submit to the board for its approval a capital spending plan for state-funded programs, including the Texas water development fund II, the agricultural water conservation fund, and the water assistance fund.

(b) The plan must:

(1) identify water funding needs in the state and set forth a basis for allocating state-supported funding to address those needs; and

(2) if applicable, provide details about:

(A) the reasons state-supported funding was not allocated according to the methodologies identified in prior plans; and

(B) any adjustments to the plan from prior plans in response to changing water priorities.

(c) In developing the plan, the executive administrator shall consider:

(1) any commission compliance issues;

(2) information derived from facility needs assessments or other water and wastewater needs assessments;

(3) regional planning group plans required under Section 16.053; and

(4) any other appropriate information.

(d) The board shall consider the plan at a regularly scheduled meeting and, on approval, submit it to the legislature and the Legislative Budget Board before January 1 of each odd-numbered year. The board may include the plan as part of its legislative appropriations request.

Sec. 6.111. SEPARATION OF RESPONSIBILITIES. The board shall develop and implement policies that clearly separate the policy-making responsibilities of the board and the management responsibilities of the executive administrator and the staff of the board.

SECTION 9. Sections 6.154, 6.155, and 6.188, Water Code, are amended to read as follows:

Sec. 6.154. COMPLAINT FILE. (a) The board shall maintain a file on each written complaint filed with the board. The file must include:

- (1) the name of the person who filed the complaint;
- (2) the date the complaint is received by the board;
- (3) the subject matter of the complaint;
- (4) the name of each person contacted in relation to the complaint;
- (5) a summary of the results of the review or investigation of the complaint; and
- (6) an explanation of the reason the file was closed, if the agency closed the file without taking action other than to investigate the complaint.

(b) The board shall provide to the person filing the complaint and to each person who is a subject of the complaint a copy of the board's policies and procedures relating to complaint investigation and resolution ~~[keep an information file about each complaint filed with the board relating to an entity regulated by the board]~~.

Sec. 6.155. NOTICE OF COMPLAINT. ~~The [If a written complaint is filed with the board relating to an entity regulated by the board, the]~~ board, at least ~~[as frequently as]~~ quarterly ~~[and]~~ until final disposition of the complaint, shall notify the ~~person filing the complaint and each person who is a subject of [parties to]~~ the complaint of the status of the investigation ~~[complaint]~~ unless the notice would jeopardize an undercover investigation.

Sec. 6.188. EQUAL EMPLOYMENT OPPORTUNITY POLICY. (a) The executive administrator or ~~the executive administrator's~~ [his] designee shall prepare and maintain a written policy statement ~~that implements [to assure implementation of]~~ a program of equal employment opportunity ~~to ensure that all personnel decisions [whereby all personnel transactions]~~ are made without regard to race, color, disability ~~[handicap]~~, sex, religion, age, or national origin.

(b) The policy statement must include:

(1) personnel policies, including policies relating to recruitment, evaluation, selection, ~~[appointment]~~ training, and promotion of personnel, ~~that show the intent of the board to avoid the unlawful employment practices described by Chapter 21, Labor Code; and~~

(2) an ~~[a comprehensive]~~ analysis of the extent to which the composition of the board's personnel is in accordance with state and federal law and a description of reasonable methods to achieve compliance with state and federal law.

(c) The policy statement must:

(1) be updated annually;

(2) be reviewed by the state Commission on Human Rights for compliance with Subsection (b)(1); and

(3) be filed with the governor's office ~~[work force that meets federal and state guidelines; (3) procedures by which a determination can be made of significant underutilization in the board's work force of all persons for whom federal or state guidelines encourage a more equitable balance; and~~

~~[(4) reasonable methods to address appropriately areas of significant underutilization in the board's work force of all persons for whom federal or state guidelines encourage a more equitable balance.~~

~~[(b) The policy statement shall be filed with the governor's office before November 1, 1985, cover an annual period, and be updated at least annually. The governor's office shall develop a biennial report to the legislature based on the information submitted. This report may be made individually or as a part of other biennial reports made to the legislature].~~

SECTION 10. Subchapter F, Chapter 6, Water Code, is amended by adding Section 6.196 to read as follows:

Sec. 6.196. TRAINING ON STATE EMPLOYEE INCENTIVE PROGRAM. *The executive administrator or the executive administrator's designee shall provide to agency employees information and training on the benefits and methods of participation in the state employee incentive program under Subchapter B, Chapter 2108, Government Code.*

SECTION 11. Section 11.002, Water Code, is amended by adding Subdivision (11) to read as follows:

(11) "River basin" means a river or coastal basin designated by the board as a river basin under Section 16.051. The term does not include waters originating in the bays or arms of the Gulf of Mexico.

SECTION 12. Subsection (p), Section 11.085, Water Code, is amended to read as follows:

(p) ~~[For the purposes of this section, a basin is designated as provided in accordance with Section 16.051 of this code.]~~ A river basin may not be redesignated in order to allow a transfer or diversion of water otherwise in violation of this section.

SECTION 13. Section 15.008, Water Code, is amended to read as follows:

Sec. 15.008. GRANT STANDARDS. *The law regarding uniform grants and contract management, Chapter 783, Government Code, [Uniform Grant and Contract Management Act of 1981 (Article 4413(32g), Vernon's Texas Civil Statutes)]* does not apply to a contract under Subchapter F, H, ~~[or]~~ K, or P ~~[of this chapter]~~.

SECTION 14. Subsection (b), Section 15.011, Water Code, is amended to read as follows:

(b) After notice and hearing and subject to any limitations established by the General Appropriations Act, the board may transfer money from the fund to the loan fund created under Subchapter C of this chapter, the storage acquisition fund created under Subchapter E of this chapter, the research and planning fund created under Subchapter F of this chapter, the hydrographic survey account created under Subchapter M of this chapter, provided the hydrographic survey account transfer does not exceed \$425,000, ~~[and]~~ the aquatic vegetation management fund created under Subchapter N of this chapter, *the rural community water and wastewater loan fund created under Subchapter O of this chapter, and the colonia self-help account created under Subchapter P of this chapter.*

SECTION 15. Subsection (c), Section 15.012, Water Code, is amended to read as follows:

(c) Money appropriated to the fund by the legislature for a specific purpose stated in Subchapter C, E, F, M, ~~[or]~~ N, O, or P of this chapter shall be placed in the appropriate fund *or account* created by that subchapter.

SECTION 16. Subsection (b), Section 15.102, Water Code, is amended to read as follows:

(b) The loan fund may also be used by the board to provide grants for:

- (1) projects that include supplying water and wastewater services in economically distressed areas, including projects involving retail distribution of those services;
- (2) projects for which federal grant funds are placed in the loan fund;
- (3) projects, on specific legislative appropriation for those projects; or
- (4) desalination, brush control, weather modification, regionalization, and projects providing regional water quality enhancement services as defined by board rule, including regional conveyance systems.

SECTION 17. Section 15.104, Water Code, is amended to read as follows:

Sec. 15.104. FINDINGS REGARDING PERMITS. (a) The board shall not release funds for the construction of that portion of a project that proposes surface water or groundwater development ~~[deliver funds pursuant to an application for financial assistance from the loan fund]~~ until the executive administrator makes a written finding:

- (1) that an applicant proposing surface-water development has the necessary water right authorizing it to appropriate and use the water that the project will provide; or
- (2) that an applicant proposing groundwater ~~[underground water]~~ development has the right to use water that the project will provide.

(b) *The board may release funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs before making the finding required under Subsection (a) if the executive administrator determines that a reasonable expectation exists that the finding will be made before the release of funds for construction.*

(c) If an applicant includes a proposal for a waste water treatment plant, the board may not deliver funds for the waste water treatment plant until the applicant has received a permit for construction and operation of the waste water treatment plant and approval of the plans and specifications from the commission. If the applicant proposes a waste water treatment plant that is located outside of the jurisdiction of this state and that is not subject to the permitting authority of the commission, the board must review the plans and specifications in coordination with the commission and find that the waste water treatment plant is capable of producing effluent that will meet federal and state-approved water quality standards.

SECTION 18. Section 15.434, Water Code, is amended to read as follows:

Sec. 15.434. USE OF MONEY IN FUND. Money deposited to the credit of the agricultural soil and water conservation fund, on appropriation by the legislature to the board, the Department of Agriculture, the State Soil and Water Conservation Board, the Texas Agricultural Experiment Station, the Texas Agricultural Extension Service, public colleges and universities, and other state agencies shall be used for the following purposes:

- (1) agricultural water conservation technical assistance programs;
- (2) agricultural water conservation, education, and demonstration programs;
- (3) purchase of equipment, including demonstration and educational equipment;
- (4) grants made to *groundwater* [~~underground water~~] conservation districts *and political subdivisions* for the purchase of equipment under programs established by Subchapter H of this chapter;
- (5) research in water utilization and conservation including artificial recharge and secondary recovery of *groundwater* [~~underground water~~];
- (6) *desalination* [~~desalinization~~];
- (7) weather modification;
- (8) technical assistance programs for developing on-farm soil and water conservation plans developed jointly by landowners and operators and local soil and water conservation districts, as provided by Subchapter H, Chapter 201, Agriculture Code;
- (9) research and demonstration relating to the production of native and low-water-use plants and water-efficient crops;
- (10) a pilot program for low-interest loans for the purchase of agricultural water conservation systems established by Subchapter I of this chapter; and
- (11) research, demonstration, and education relating to brush control.

SECTION 19. Subsection (a), Section 15.601, Water Code, is amended to read as follows:

(a) The state water pollution control revolving fund shall be administered by the board under this subchapter and rules adopted by the board. The fund shall be used to provide financial assistance to political subdivisions for construction of treatment works *and to persons for nonpoint source pollution control and abatement projects under Section 15.603(h)*, in accordance with the capitalization grant program established under the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.).

SECTION 20. Section 15.603, Water Code, is amended by amending Subsection (a) and adding Subsection (h) to read as follows:

(a) The revolving fund is held separately from other funds by the board outside the State Treasury to provide financial assistance to political subdivisions for construction of treatment works *and to persons for nonpoint source pollution control and abatement projects under Subsection (h)*.

(h) The board may establish a separate account in the revolving fund to be used solely for providing financial assistance to persons for nonpoint source pollution control and abatement projects. The account shall be composed solely of funds appropriated by the legislature, funds provided as gifts or grants by the United States, interest earnings on amounts credited to the account, and repayments of loans made from the account. The board shall adopt rules

establishing the criteria for eligibility and the terms of assistance for persons that receive financial assistance from the account.

SECTION 21. Subsection (a), Section 15.804, Water Code, is amended to read as follows:

(a) On the request of a political subdivision *or agency of this state or a neighboring state or a federal agency*, the board may perform ~~[for the political subdivision]~~ a hydrographic survey in this state or outside of this state if the information collected will benefit this state. The board may perform a survey under this section:

- (1) to determine:
 - (A) reservoir storage capacity;
 - (B) sedimentation levels;
 - (C) rates of sedimentation;
 - (D) projected water supply availability; or [and]
 - (E) potential mitigative measures; [and]
- (2) to conduct ~~[for]~~ other bathymetric studies; or
- (3) to collect information relating to water-bearing formations.

SECTION 22. Chapter 15, Water Code, is amended by adding Subchapter O to read as follows:

**SUBCHAPTER O. PILOT PROGRAM FOR WATER AND WASTEWATER
LOANS FOR RURAL COMMUNITIES**

Sec. 15.901. DEFINITIONS. In this subchapter:

- (1) "Fund" means the rural community water and wastewater loan fund.
- (2) "Political subdivision" means a municipality, a county, or a district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.
- (3) "Rural community" means:
 - (A) a municipality or county with a population of less than 5,000; or
 - (B) a district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, with a population of less than 5,000 that is located outside the boundaries or extraterritorial jurisdiction of a municipality.

Sec. 15.902. RURAL COMMUNITY WATER AND WASTEWATER LOAN FUND. (a) The rural community water and wastewater loan fund is an account in the water assistance fund.

(b) The fund consists of:

- (1) money transferred to the fund from the water assistance fund under Section 15.011(b);
- (2) proceeds from the sale of political subdivision bonds by the board to the Texas Water Resources Finance Authority as provided by Section 17.0871; and
- (3) repayments of loans made from the fund.

Sec. 15.903. FINANCIAL ASSISTANCE. (a) The fund may be used by the board to provide loans of financial assistance to rural communities for the construction, acquisition, or improvement of water and wastewater projects.

(b) The board may make financial assistance available to a rural community by entering into a loan agreement and promissory note with the rural community, as provided by this subchapter. A rural community may apply for and accept the financial assistance.

(c) The loan agreement must provide for the payment of principal and interest on the debt incurred for the project at a rate to be determined by the board.

(d) The loan agreement must provide for the issuance of a promissory note payable to the board to evidence the obligation of the rural community to repay the loan made in accordance with the terms of the loan agreement.

(e) A loan provided under this subchapter may not exceed \$250,000 for each project, and the term of a loan may not exceed 20 years.

Sec. 15.904. USE OF SALES TAX AS LOAN SECURITY. (a) A rural community that is a municipality or county may pledge a percentage of the sales and use tax revenue received under Chapter 321 or 323, Tax Code, as applicable, to the payment of debt incurred under a loan agreement entered into with the board under this subchapter if a majority of the voters voting at an election called and held for that purpose authorize the municipality or county to pledge a portion of that revenue for that purpose.

(b) Sections 321.506, 321.507, and 323.505, Tax Code, do not apply to taxes pledged under this subchapter.

Sec. 15.905. REVIEW AND APPROVAL OF LOAN AGREEMENT BY ATTORNEY GENERAL. (a) Before a loan agreement may become effective, a record of the proceedings of the board and the rural community authorizing the execution of the loan agreement, the loan agreement, the promissory note, and any contract providing revenue or security to pay the promissory note must be submitted to the attorney general for review and approval.

(b) If the attorney general finds that the loan agreement and the promissory note are valid and binding obligations of the rural community, the attorney general shall approve the documents and deliver them to the comptroller, the board, and the rural community, together with a copy of the attorney general's legal opinion stating that approval.

Sec. 15.906. REGISTRATION. On receipt of the documents required by Section 15.905(b), the comptroller shall register the record of the proceedings relating to the execution of a loan agreement.

Sec. 15.907. VALIDITY AND INCONTESTABILITY. On approval by the attorney general and registration by the comptroller, the loan agreement, the promissory note, a contract providing revenue or security, and any other obligation evidencing the debt are incontestable in a court and are valid, binding, and enforceable according to their terms.

Sec. 15.908. ENFORCEMENT BY MANDAMUS. Payment of obligations incurred under a loan agreement and other requirements of this subchapter may be enforced in a court by mandamus or other appropriate proceedings.

Sec. 15.909. RULES. The board shall adopt necessary rules to administer this subchapter, including rules establishing procedures for application for and award of loans.

Sec. 15.910. APPLICATION FOR ASSISTANCE. (a) In an application to the board for financial assistance from the fund, the rural community must include:

- (1) the name of the rural community and its principal officers;
- (2) a citation of the law under which the rural community operates and was created;
- (3) a description of the water or wastewater project for which the financial assistance will be used;
- (4) the total cost of the project;
- (5) the amount of state financial assistance requested;
- (6) the plan for repaying the total cost of the project; and
- (7) any other information the board requires in order to perform its duties and to protect the public interest.

(b) The board may not accept an application for a loan of financial assistance from the fund unless it is submitted in affidavit form by the officials of the rural community. The board shall prescribe the affidavit form in its rules.

(c) If a rural community has a program of water conservation, the rural community shall state in the application that the rural community has such a program.

Sec. 15.911. FINDINGS REGARDING PERMITS. (a) The board may not release funds for the construction phase of that portion of a project that proposes surface water or groundwater development until the executive administrator makes a written finding:

(1) that a rural community proposing surface water development has the necessary water right authorizing it to appropriate and use the water that the project will provide; or

(2) that a rural community proposing groundwater development has the right to use water that the project will provide.

(b) If a rural community includes a proposal for a wastewater treatment project, the board may not release funds for the project construction until the rural community has received a permit for the construction and operation of the project and approval of the plans and specifications for the project in a manner that will satisfy commission requirements for design criteria and permit conditions that apply to construction activities.

Sec. 15.912. CONSIDERATIONS IN ACTING ON APPLICATION. In acting on an application for financial assistance, the board shall consider:

(1) the needs of the area to be served by the project and the benefit of the project to the area in relation to the needs of other areas requiring state assistance in any manner and the benefits of those projects to the other areas;

(2) the availability of revenue to the rural community from all sources for the ultimate repayment of the cost of the project, including all interest;

(3) the relationship of the project to overall statewide needs; and

(4) any other factors that the board considers relevant.

Sec. 15.913. APPROVAL OF APPLICATION. The board by resolution may approve an application for a loan if, after considering the factors listed in Section 15.912 and any other relevant factors, the board finds that:

(1) the public interest requires state participation in the project; and

(2) the revenue or taxes pledged by the rural community will be sufficient to meet all the obligations assumed by the rural community during the succeeding period of not more than 20 years.

Sec. 15.914. CONSTRUCTION CONTRACT REQUIREMENTS. The governing body of each rural community receiving financial assistance from the board under this subchapter shall require in all contracts for the construction of a project that:

(1) each bidder furnish a bid guarantee equivalent to five percent of the bid price;

(2) each contractor awarded a construction contract furnish performance and payment bonds as follows:

(A) the performance bond must include guarantees that work done under the contract will be completed and performed according to approved plans and specifications and in accordance with sound construction principles and practices; and

(B) the performance and payment bonds must be in a penal sum of not less than 100 percent of the contract price and remain in effect for one year after the date of approval by the engineer of the political subdivision;

(3) payment be made in partial payments as the work progresses;

(4) each partial payment not exceed 95 percent of the amount due at the time of the payment as shown by the engineer of the project, but, if the project is substantially complete, a partial release of the five percent retainage may be made by the rural community with approval of the executive administrator;

(5) payment of the retainage remaining due on completion of the contract be made only after:

(A) approval by the engineer for the rural community as required under the bond proceedings;

(B) approval by the governing body of the rural community by a resolution or other formal action; and

(C) certification by the executive administrator in accordance with the rules of the board that the work to be done under the contract has been completed and performed in a satisfactory manner and in accordance with sound engineering principles and practices;

(6) no valid approval be granted unless the work done under the contract has been completed and performed in a satisfactory manner according to approved plans and specifications; and

(7) labor from inside the rural community be used to the extent possible.

Sec. 15.915. FILING CONSTRUCTION CONTRACT. The rural community shall file with the board a certified copy of each construction contract it enters into for the construction of all or part of a project. Each contract must contain or have attached to it the specifications, plans, and details of all work included in the contract.

Sec. 15.916. INSPECTION OF PROJECTS. (a) The board may inspect the construction of a project at any time to assure that:

(1) the contractor is substantially complying with the approved engineering plans of the project; and

(2) the contractor is constructing the project in accordance with sound engineering principles.

(b) Inspection of a project by the board does not subject the state to any civil liability.

Sec. 15.917. ALTERATION OF PLANS. After the executive administrator approves the engineering plans, a rural community may not make any substantial or material alteration in the plans unless the executive administrator authorizes the alteration. The board shall review and approve or disapprove plans and specifications for all sewage collection, treatment, and disposal systems for which financial assistance is provided from the fund in a manner that will satisfy commission requirements for design criteria and permit conditions that apply to construction activities.

Sec. 15.918. CERTIFICATE OF APPROVAL. The executive administrator may consider the following as grounds for refusal to give a certificate of approval for any construction contract:

(1) failure to construct the project according to the approved plans;

(2) failure to construct the works in accordance with sound engineering principles; or

(3) failure to comply with any term of the contract.

Sec. 15.919. REPORT TO LEGISLATURE. (a) Not later than January 1, 2005, the board shall report to the legislature on the program established under this subchapter.

(b) The report must include:

(1) the number of applications received;

(2) the number of loans funded;

(3) the types of projects funded;

(4) the total funds allocated;

(5) available performance measures; and

(6) the expected feasibility of and demand for an expanded rural community water and wastewater loan program.

Sec. 15.920. AUTHORITY OF RURAL COMMUNITIES. Rural communities that receive financial assistance from the fund are granted all necessary authority to enter into loan agreements and issue promissory notes in connection with the financial assistance granted under this subchapter.

SECTION 23. Chapter 15, Water Code, is amended by adding Subchapter P to read as follows:

SUBCHAPTER P. COLONIA SELF-HELP PROGRAM

Sec. 15.951. DEFINITIONS. In this subchapter:

- (1) "Account" means the colonia self-help account.*
- (2) "Colonia" means a geographic area that:*
 - (A) is an economically distressed area as defined by Section 17.921; and*
 - (B) is located in a county any part of which is within 50 miles of an international border.*
- (3) "Program" means the colonia self-help program established under this subchapter.*
- (4) "Retail public utility" has the meaning assigned by Section 13.002.*
- (5) "Self-help project" means a project in which the people who will benefit from the project actively participate.*

Sec. 15.952. CREATION OF ACCOUNT. (a) The colonia self-help account is an account in the general revenue fund that may be appropriated only for the purposes of this subchapter.

(b) The account consists of:

- (1) money transferred by the legislature directly to the account;*
 - (2) money transferred at the board's discretion from the fund;*
 - (3) gifts, grants, or donations to the account; and*
 - (4) interest earned on money credited to the account.*
- (c) Sections 403.095 and 404.071, Government Code, do not apply to the account.*

Sec. 15.953. USE OF ACCOUNT. (a) The board may use funds in the account only to reimburse nonprofit organizations eligible under Section 15.954 for expenses incurred in a self-help project that results in the provision of adequate water or wastewater services to a colonia. Expenses that may be reimbursed include:

- (1) construction expenses;*
- (2) facility planning expenses;*
- (3) platting expenses;*
- (4) surveying expenses;*
- (5) engineering expenses;*
- (6) equipment expenses; and*
- (7) other expenses necessary to provide water or wastewater services to the colonia, as determined appropriate by the board.*

(b) The board may award a grant under the program directly to a nonprofit organization to reimburse the organization for expenses incurred in a self-help project described by Subsection (a).

Sec. 15.954. ELIGIBLE NONPROFIT ORGANIZATIONS. To be eligible to receive a grant under the program, an organization must:

- (1) apply for the grant;*
- (2) qualify for an exemption from federal income taxes under Section 501(c)(3), Internal Revenue Code of 1986, as amended; and*
- (3) as of January 1, 2001, have a demonstrated record of completing in coordination with a retail public utility construction of self-help projects described by Section 15.953(a).*

Sec. 15.955. GRANT APPLICATION. An eligible nonprofit organization must apply to the board for a grant under the program before incurring any expense associated with a self-help project described by Section 15.953

(a). The application must include:

- (1) the name of the nonprofit organization, the names of the organization's principal officers, and verification of the organization's 501(c)(3) status;*

(2) a description of the project area, the anticipated number of water and wastewater connections to be made, and the anticipated number of colonia residents to be served;

(3) a description of the existing water and wastewater facilities in the colonia;

(4) a description of the project and the aspect of the project for which the grant will be used;

(5) a description of the anticipated participation in the project by residents of the colonia;

(6) the estimated total cost of both the project and the aspect of the project for which the grant will be used;

(7) the amount of the grant that is requested from the account and the sources of funding for the entire project;

(8) from a retail public utility authorized to provide water or wastewater services to the colonia, a resolution in which the retail public utility:

(A) agrees to inspect the project during and after construction to ensure the adequacy of the project; and

(B) commits to provide the water or wastewater services that the project intends to use; and

(9) any other information required by the board.

Sec. 15.956. BOARD CONSIDERATIONS IN EVALUATING GRANT APPLICATION. In evaluating an application for a grant under the program, the board shall consider:

(1) the number, quality, and character of projects previously completed by the applicant; and

(2) the capability of the retail public utility to provide water or wastewater services to the colonia on completion of the project.

Sec. 15.957. ACTION ON GRANT APPLICATION. (a) Not later than the 60th day after the date the board receives a complete application for a grant under the program, the board by written resolution shall:

(1) approve the application; or

(2) disapprove the application.

(b) On approval of an application, the board shall authorize the executive administrator of the board to execute a contract with the applicant for a grant to reimburse eligible expenses. The contract may provide a budget, schedule, terms for payment of funds, and any other terms the board or its executive administrator considers appropriate.

Sec. 15.958. RULES. The board shall adopt rules necessary to administer the program established under this subchapter.

Sec. 15.959. CO-ADMINISTRATION. The program shall be co-administered by the office of the secretary of state until the second anniversary of the date on which the program begins operations under this subchapter.

SECTION 24. Subchapter B, Chapter 16, Water Code, is amended by amending Section 16.021 and adding Section 16.022 to read as follows:

Sec. 16.021. TEXAS NATURAL RESOURCES INFORMATION SYSTEM. (a) The executive administrator shall establish the Texas Natural Resources Information System (TNRIS) to serve Texas agencies and citizens as a centralized clearinghouse and referral center for natural resource, census, and other socioeconomic data.

(b) The executive administrator may, on behalf of TNRIS, enter into partnerships with private entities to provide additional funding for improved access to TNRIS information. The board shall adopt administrative rules to describe the process of establishing partnerships, define the types of partnerships that may be formed, establish the fee collection process, and define the nondiscriminatory methods used to determine which private entities may enter into

partnerships. Any process developed by the board must comply with all applicable laws regarding ethics, purchasing, and contracts.

(c) The Texas Geographic Information Council (TGIC) is created to provide strategic planning and coordination in the acquisition and use of geo-spatial data and related technologies in the State of Texas. The executive administrator and the executive director of the Department of Information Resources shall designate entities to be members of the TGIC. The chief administrative officer of each member entity shall select one representative to serve on the TGIC. The duties of the TGIC shall include providing guidance to the executive administrator in carrying out *the executive administrator's* [his] duties under this section and guidance to the Department of Information Resources for development of rules related to statewide geo-spatial data and technology standards.

(d) *Member entities of the TGIC that are state agencies shall, and member entities that are not state agencies may, provide information to the TGIC about their investments in geographic information and plans for its use. Not later than September 1 of each even-numbered year, the TGIC shall prepare and provide to the board, the Department of Information Resources, the governor, and the legislature a plan that inventories known state agency geographic information systems projects and recommends initiatives to improve the state's geographic information systems programs.*

(e) [(e)] Under the guidance of the TGIC, the executive administrator shall:

(1) further develop the Texas Natural Resources Information System by promoting and providing for effective acquisition, archiving, documentation, indexing, and dissemination of natural resource and related digital and nondigital data and information;

(2) obtain information in response to disagreements regarding names and name spellings for natural and cultural features in the state and provide this information to the Board on Geographic Names of the United States Department of the Interior;

(3) make recommendations to the Board on Geographic Names of the United States Department of the Interior for naming any natural or cultural feature subject to the limitations provided by Subsection (f) [(d) of this section];

(4) make recommendations to the Department of Information Resources to adopt and promote standards that facilitate sharing of digital natural resource data and related socioeconomic data among federal, state, and local governments and other interested parties;

(5) acquire and disseminate natural resource and related socioeconomic data describing the Texas-Mexico border region; and

(6) coordinate, conduct, and facilitate the development, maintenance, and use of mutually compatible statewide digital base maps depicting natural resources and man-made features.

(f) [(d)] A recommendation may not be made under [Subdivision (3) of] Subsection (e)(3) [(e) of this section] for:

(1) a feature previously named under statutory authority or recognized by an agency of the federal government, the state, or a political subdivision of the state;

(2) a feature located on private property for which consent of the property owner cannot be obtained; or

(3) naming a natural or cultural feature for a living person.

Sec. 16.022. WATER CONSERVATION STUDY. (a) The board and the State Soil and Water Conservation Board shall jointly conduct a study of the ways to improve or expand water conservation efforts and report to the legislature.

(b) *The report must include:*

(1) *an assessment of both agricultural and municipal water conservation issues;*

(2) *information on existing conservation efforts by the board and the State Soil and Water Conservation Board;*

(3) *information on existing conservation efforts by municipalities receiving funding from the board, as specified in water conservation plans submitted by the municipalities as part of their applications for assistance;*

(4) *a discussion of future conservation needs;*

(5) *an analysis of programmatic approaches and funding for additional conservation efforts;*

(6) *an assessment of existing statutory authority and whether changes are needed to more effectively promote and fund conservation projects; and*

(7) *an assessment of the board's agricultural water conservation program.*

(c) *The report shall be issued as part of, or as a supplement to, the state water plan.*

SECTION 25. Subsection (j), Section 16.053, Water Code, is amended to read as follows:

(j) The board may provide financial assistance to political subdivisions under Subchapters E and F of this chapter, Subchapters C, D, E, F, ~~[and] J, and O~~, Chapter 15, and Subchapters D, I, K, and L, Chapter 17, for water supply projects only if:

(1) the board determines that the needs to be addressed by the project will be addressed in a manner that is consistent with the state water plan; and

(2) beginning January 5, 2002, the board:

(A) has approved a regional water plan as provided by Subsection (i), and any required updates of the plan, for the region of the state that includes the area benefiting from the proposed project; and

(B) determines that the needs to be addressed by the project will be addressed in a manner that is consistent with that regional water plan.

SECTION 26. Section 16.136, Water Code, is amended to read as follows:

Sec. 16.136. FACILITIES WANTED BY POLITICAL SUBDIVISION. The board may acquire *all or part* ~~[up to 50 percent]~~ of any authorized facility to the extent that the board finds that the political subdivision:

(1) is willing and reasonably able to finance *that portion* ~~[at least 50 percent]~~ of the cost of the facility *that the board does not acquire*;

(2) has obtained all necessary permits;

(3) has proposals that are consistent with the objectives of the state water plan; and

(4) has a program of water conservation for the more efficient use of water as required by Section 15.106 of this code.

SECTION 27. Subsection (g), Section 16.343, Water Code, is amended to read as follows:

(g) Before ~~[filing]~~ an application for funds ~~[for facility engineering]~~ under Section 15.407 or Subchapter P, Chapter 15, ~~[of this code]~~ or ~~[financial assistance under]~~ Subchapter K, Chapter 17, *may be considered by the board* ~~[of this code]~~, a political subdivision must adopt the model rules pursuant to this section. *If the applicant is* ~~[or, in the case of]~~ a district, ~~[or]~~ nonprofit water supply corporation, *or colonia, the applicant must be located in a city or county that has adopted such rules. Applicants for funds under Section 15.407 or Subchapter P, Chapter 15, or Subchapter K, Chapter 17, may not receive funds under those provisions unless the applicable political subdivision* ~~[An affected county may not receive funds under either Section 15.407 of this code or Subchapter K, Chapter 17, of this code unless the county]~~ adopts and enforces the model rules.

SECTION 28. Subsection (g), Section 17.0871, Water Code, is amended to read as follows:

(g) The accrued interest portion of proceeds from the sale of political subdivision bonds shall be disposed of as otherwise provided by this chapter. Money not applied to discharges, payments, or redemptions shall be deposited in the development fund, the administrative fund, *the water assistance fund*, or the agricultural water conservation fund, as appropriate, to be used for the purposes provided by law.

SECTION 29. Section 17.123, Water Code, is amended to read as follows:

Sec. 17.123. FINDINGS REGARDING PERMITS. (a) The board shall not release funds for the construction of that portion of a project that proposes surface water or groundwater development ~~[deliver funds pursuant to an application for financial assistance]~~ until the executive administrator makes a written finding:

(1) that an applicant proposing surface-water development has the necessary water right authorizing it to appropriate and use the water which the water supply project will provide; or

(2) that an applicant proposing groundwater ~~[underground water]~~ development has the right to use water that the water supply project will provide.

(b) The board may release funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs before making the finding required under Subsection (a) if the executive administrator determines that a reasonable expectation exists that the finding will be made before the release of funds for construction.

SECTION 30. Subdivision (7), Section 17.871, Water Code, is amended to read as follows:

(7) "Loan" means a loan from the board to a lender district under this subchapter, *except as provided by Section 17.894(b).*

SECTION 31. Section 17.894, Water Code, is amended to read as follows:

Sec. 17.894. USE OF FUND. (a) The board may use money in the fund to make conservation loans directly to borrower districts, to make loans to lender districts, and to pay the cost of bond issuance.

(b) The board may use money in the fund:

(1) to make loans to political subdivisions other than lender districts for agricultural water conservation projects;

(2) to make grants to political subdivisions for agricultural water conservation projects as provided by legislative appropriation; or

(3) to make grants to a state agency for the funding of any agricultural water conservation program of that agency, including a program in which the state agency provides funding to a political subdivision or a person for agricultural water conservation, as provided by legislative appropriation.

SECTION 32. Section 17.903, Water Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) The board by rule may establish:

(1) procedures for applying for a loan or grant under Section 17.894(b);

(2) procedures for considering and approving applications and for making loans or grants under Section 17.894(b); and

(3) the rate of interest the board charges, if any, for loans under Section 17.894(b).

(c) The board shall have the power to enter into any contracts to carry out the provisions of this subchapter.

SECTION 33. Section 17.928, Water Code, is amended to read as follows:

Sec. 17.928. FINDINGS REGARDING PERMITS. (a) The board shall ~~[may]~~ not release funds for the construction of that portion of a project that proposes surface water or groundwater development ~~[deliver funds pursuant to an application for financial assistance]~~ until the executive administrator makes a written finding:

(1) that an applicant proposing surface-water development has the necessary water right authorizing it to appropriate and use the water that the water supply project will provide; or

(2) that an applicant proposing groundwater ~~[underground water]~~ development has the right to use water that the water supply project will provide.

(b) The board may release funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs before making the finding

required under Subsection (a) if the executive administrator determines that a reasonable expectation exists that the finding will be made before the release of funds for construction.

(c) If an applicant includes a proposal for treatment works, the board may not deliver funds for the treatment works until the applicant has received a permit for construction and operation of the treatment works and approval of the plans and specifications from the commission or unless such a permit is not required by the commission.

SECTION 34. Section 36.001, Water Code, is amended by adding Subdivision (18) to read as follows:

(18) "Public water supply well" means, for purposes of a district governed by this chapter, a well that produces the majority of its water for use by a public water system.

SECTION 35. The heading to Subchapter Z, Chapter 2306, Government Code, is amended to read as follows:

SUBCHAPTER Z. *COLONIAS* [~~COLONIA SELF-HELP CENTERS~~]

SECTION 36. Sections 2306.584 and 2306.585, Government Code, are amended to read as follows:

Sec. 2306.584. *COLONIA RESIDENT ADVISORY COMMITTEE*. (a) The department shall appoint not fewer than five persons who are residents of colonias to serve on *the Colonia Resident Advisory Committee* [~~an advisory committee~~]. The members of the advisory committee shall be selected from lists of candidates submitted to the department by local nonprofit organizations and the commissioners court of a county in which a self-help center is located.

(b) The department shall appoint one committee member to represent each of the counties in which self-help centers are located. Each committee member:

- (1) must be a resident of a colonia in the county the member represents; and
- (2) may not be a board member, contractor, or employee of or have any ownership interest in an entity that is awarded a contract under this subchapter.

Sec. 2306.585. *DUTIES OF COLONIA RESIDENT ADVISORY COMMITTEE*. (a) The *Colonia Resident Advisory Committee* [~~committee~~] shall advise the department regarding:

- (1) the needs of colonia residents;
- (2) appropriate and effective programs that are proposed or are operated through the self-help centers; and
- (3) activities that may be undertaken through the self-help centers to better serve the needs of colonia residents.

(b) The *advisory committee* shall meet before the 30th day preceding the date on which a contract is scheduled to be awarded for the operation of a self-help center and may meet at other times.

SECTION 37. Subchapter Z, Chapter 2306, Government Code, is amended by adding Section 2306.590 to read as follows:

Sec. 2306.590. *COLONIA INITIATIVES ADVISORY COMMITTEE*. (a) *The Colonia Initiatives Advisory Committee is composed of seven members appointed by the governor as follows:*

- (1) *one colonia resident;*
- (2) *one representative of a nonprofit organization that serves colonia residents;*
- (3) *one representative of a political subdivision that contains all or part of a colonia;*
- (4) *one person to represent private interests in banking or land development;*
- (5) *one representative of a nonprofit utility;*
- (6) *one representative of an engineering consultant firm involved in economically distressed areas program projects under Subchapter K, Chapter 17, Water Code; and*

(7) *one public member.*

(b) *Each committee member, except the public member, must reside within 150 miles of the Texas-Mexico border.*

(c) *The secretary of state is an ex officio member of the committee.*

(d) *The committee shall:*

(1) *review the progress of colonia water and wastewater infrastructure projects managed by the Texas Water Development Board and the state agency responsible for administering the portion of the federal community development block grant nonentitlement program that addresses the infrastructure needs of colonias;*

(2) *present an update and make recommendations to the board and the Texas Water Development Board annually at the joint meeting required by Section 6.060(d), Water Code, regarding:*

(A) *efforts to ensure that colonia residents are connected to the infrastructure funded by state agencies;*

(B) *the financial, managerial, and technical capabilities of project owners and operators;*

(C) *the agencies' management of their colonia programs and the effectiveness of their policies regarding underperforming projects; and*

(D) *any other issues related to the effect of state-managed infrastructure programs on colonia residents;*

(3) *review public comments regarding the colonia needs assessment incorporated into the state low income housing plan under Section 2306.0721; and*

(4) *based on the public comments reviewed under Subdivision (3), recommend to the board new colonia programs or improvements to existing colonia programs.*

SECTION 38. Section 11.32, Tax Code, is amended to read as follows:

Sec. 11.32. CERTAIN WATER CONSERVATION INITIATIVES. The governing body of a taxing unit by official action of the governing body adopted in the manner required by law for official actions may exempt from taxation part or all of the assessed value of property on which approved water conservation initiatives, *desalination projects, or brush control initiatives* have been implemented. For purposes of this section, approved water conservation, *desalination, and brush control* initiatives shall be designated pursuant to an ordinance or other law adopted by the governing unit.

SECTION 39. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.355 to read as follows:

Sec. 151.355. WATER-RELATED EXEMPTIONS. *The following are exempted from taxes imposed by this chapter:*

(1) *rainwater harvesting equipment or supplies, water recycling and reuse equipment or supplies, or other equipment, services, or supplies used to reduce or eliminate water use;*

(2) *equipment, services, or supplies used for desalination of surface water or groundwater;*

(3) *equipment, services, or supplies used for brush control designed to enhance the availability of water;*

(4) *equipment, services, or supplies used for precipitation enhancement;*

(5) *equipment, services, or supplies used to construct or operate a water or wastewater system certified by the Texas Natural Resource Conservation Commission as a regional system; and*

(6) *equipment, services, or supplies used to construct or operate a water supply or wastewater system by a private entity as a public-private partnership as certified by the political subdivision that is a party to the project.*

SECTION 40. (a) The Texas Water Development Board shall adopt, not later than March 1, 2002, necessary rules to administer the pilot program for water and wastewater loans for rural communities created by Subchapter O, Chapter 15, Water Code, as added by this Act.

(b) The Texas Water Development Board shall begin, not later than September 1, 2002, to provide loans under Subchapter O, Chapter 15, Water Code, as added by this Act.

SECTION 41. The Texas Water Development Board is required to implement the colonia self-help program under Subchapter P, Chapter 15, Water Code, as added by this Act, only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, the Texas Water Development Board may, but is not required to, implement the colonia self-help program using other appropriations available for that purpose.

SECTION 42. The changes in law made by this Act in the prohibitions and qualifications applying to members of the Texas Water Development Board do not affect the entitlement of a member serving on the board immediately before September 1, 2001, to continue to serve and function as a member of the board for the remainder of the member's term. The changes in law apply only to a member appointed on or after September 1, 2001.

SECTION 43. If Senate Bill No. 322, 77th Legislature, Regular Session, 2001, becomes law and if that bill provides for the creation of a Colonia Resident Advisory Committee, a Colonia Initiatives Advisory Committee, or a committee having another name that has functions similar to those of the Colonia Resident Advisory Committee or the Colonia Initiatives Advisory Committee created by this Act, it is the intent of the legislature that this Act govern all matters relating to the committees and that the provisions of Senate Bill No. 322 relating to the committees have no effect.

SECTION 44. This Act takes effect September 1, 2001.

Passed the Senate on April 30, 2001, by a viva-voce vote; May 22, 2001, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 24, 2001, House granted request of the Senate; May 27, 2001, Senate adopted Conference Committee Report by a viva-voce vote; passed the House, with amendments, on May 21, 2001, by a non-record vote; May 24, 2001, House granted request of the Senate for appointment of Conference Committee; May 27, 2001, House adopted Conference Committee Report by a non-record vote.

Approved June 15, 2001.

Effective September 1, 2001.

CHAPTER 1235

S.B. No. 317

AN ACT

relating to continuation and functions of the Office of Consumer Credit Commissioner and the regulation of certain financial businesses; providing a penalty.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section 14.056, Finance Code, is amended to read as follows:

Sec. 14.056. CONFLICT OF INTEREST. (a) *In this section, "Texas trade association" means a cooperative and voluntarily joined association of business or professional competitors in this state designed to assist its members and its industry or profession in dealing with mutual business or professional problems and in promoting their common interest.*

(b) *A person may not be an employee of the office employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing*